

**GOVERNOR'S PROPOSAL TO
BALANCE FY 2006-07 BUDGET:**

**REVENUE PROPOSALS,
FY 2006-07 SUPPLEMENTAL,
AND EXECUTIVE ORDER 2007-1**

**SUMMARY AND
DEPARTMENT/BUDGET AREA
DETAIL**



February 14, 2007

Governor Granholm's FY 2006-07 Budget Recommendation Highlights

The Governor is recommending \$224.4 million in FY 2006-07 General Fund/General Purpose (GF/GP) supplemental appropriations, including Community Health - \$109.2 million, Corrections - \$39.2 million, Human Services - \$66.0 million, and Treasury - \$10.0 million.

The approval of the recommended supplemental appropriations along with already enacted appropriations results in a \$565.0 million GF/GP budget deficit, as outlined in Table 1.

The FY 2006-07 School Aid Fund (SAF) budget is in deficit by \$377.4 million, as shown in Table 2.

The Governor recommends eliminating the projected \$942.4 million combined GF/GP and SAF budget deficits with a combination of revenue increases, retirement accounting changes, funding delays, program reductions, and the shifting of Federal and State Restricted funding to offset GF/GP-funded appropriations.

These budget balancing solutions, listed in Tables 3 and 4, would be implemented with a combination of statutory changes, the approval of positive and negative supplemental appropriations, and the approval of Executive Order 2007-1.

The projected \$942.4 million budget deficit is eliminated in the following proportions:

- Revenue Increases: 54.9%
- Retirement Accounting Changes: 29.1%
- Higher Education Funding Delays: 7.3%
- Program Reductions: 4.5%
- Fund Shifts/Other: 4.2%

Table 5 provides a summary of the FY 2006-07 budget balancing proposal. Table 6 presents the Governor's proposed tax policy changes and the FY 2006-07 estimated fiscal impacts. Tables 7 and 8 summarize the FY 2006-07 proposed supplementals and Table 9 summarizes Executive Order 2007-1. Appendices A and B provide the budget area details.

Table 1

FY 2006-07 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	February 2007 Gov's Rec.
Revenue:	
Beginning Balance	\$ 5.7
Consensus Revenue Estimate	8,230.0
Revenue Sharing Freeze	558.0
Land Sales	46.9
Shift Short Term Borrowing Costs to School Aid Fund.....	22.8
Forensic Center Settlement Revenue	7.8
Liquor Purchase Revolving Fund Transfer to General Fund	4.0
Consumer Finance Fees Transfer to General Fund.....	7.0
Total Revenue	\$8,882.2
Expenditures:	
Enacted Appropriations	\$9,222.8
Proposed Supplemental Appropriations	224.4
Total Expenditures	\$9,447.2
Projected Year-End Balance	\$ (565.0)

Table 2

FY 2006-07 School Aid Fund Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	February 2007 Gov's Rec.
Revenue:	
Beginning Balance	\$ 0.0
Consensus Revenue Estimate	11,230.0
GF/GP Grant	35.0
Federal Aid	1,411.2
Total Revenue	\$12,676.2
Expenditures	
Enacted Appropriations	\$13,093.8
Midland Property Tax Case	24.8
Appropriation Lapses	(65.0)
Total Expenditures	\$13,053.6
Projected Year-End Balance	\$ (377.4)

Table 3

Proposal to Balance FY 2006-07 General Fund/General Purpose Budget (Millions of Dollars)	
	February 2007 Gov's Rec.
Projected Year-End Balance	\$(565.0)
Revenue Increases:	
Consumer Services Tax (2.0%)	\$ 92.7
Business Services Tax (2.0%)	214.0
Other Tax Policy Changes	14.0
Executive Order 2007-1:	
Transportation Economic Development Revenue to GF/GP	6.0
Corporate Fee Revenue to GF/GP	0.7
Subtotal Revenue Increases	\$327.4
Appropriation Reductions:	
Supplemental Appropriation Reductions	\$ 72.8
Executive Order 2007-1	166.9
Subtotal Appropriation Reductions	\$239.7
Total Recommended Adjustments to Budget	\$567.1
Adjusted Year-End Balance	\$ 2.1

Table 4

Proposal to Balance FY 2006-07 School Aid Fund Budget (Millions of Dollars)	
	February 2007 Gov's Rec.
Projected Year-End Balance	\$(377.4)
Revenue Increases:	
Consumer Services Tax (2.0%)	\$ 51.5
Business Services Tax (2.0%)	118.8
Increase Liquor Markup	9.4
Other Tax Policy Changes	11.5
Public School Employees Retirement Assets Re-valuation	185.0
Expanded Club Keno Lottery Game	7.5
Subtotal Revenue Increases	\$383.7
Appropriation Reductions:	
Eliminate Various Categorical Grants	\$ 5.0
Subtotal Appropriation Reductions	\$ 5.0
Total Recommended Adjustments to Budget	\$388.7
Adjusted Year-End Balance	\$ 11.3

Table 5

**FY 2006-07 General Fund/General Purpose and
School Aid Fund Budget Balancing Proposal Summary
(Millions of Dollars)**

Projected Budget Deficits:		
General Fund/General Purpose	\$(565.0)	
School Aid Fund	(377.4)	
Total Projected Deficits.....	\$(942.4)	
Governor's Proposed Solutions:		% of Total
Revenue Increases.....	\$525.4	54.9%
Retirement Accounting Changes.....	277.8	29.1
Higher Education Funding Delay	69.4	7.3
Program Reductions.....	43.0	4.5
Fund Shifts/Other Adjustments.....	40.2	4.2
Total Proposed Solutions	\$955.8	100.0%
Projected Year-End Balance.....	\$13.4	

Table 6

**Governor's Proposed Tax Policy Changes
FY 2006-07 Estimated Fiscal Impacts
(Dollars in Millions)**

Tax Proposal	GF/GP	SAF	Revenue Sharing	Medicaid Trust Fund	Other	Total
SBT Replacement						
Michigan Business Tax ¹⁾	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Insurance Tax: Rate Increase ¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
Personal Property Tax Exemption ¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal SBT Replacement	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Tax Increases						
2.0% Services Tax ²⁾	\$306.7	\$170.2	\$0.0	\$0.0	\$0.0	\$476.9
Commercial Rental Prop Tax ¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
Estate Tax: Decouple from Fed Tax ³⁾	0.0	0.0	0.0	0.0	0.0	0.0
Liquor Markup Increase ²⁾	(0.2)	9.2	0.0	0.0	(0.2)	8.8
Cigarette Tax Increase: \$0.05/pack ²⁾	0.0	0.0	0.0	8.5	0.0	8.5
Other Tobacco Products Tax ²⁾	0.0	0.0	0.0	9.6	0.0	9.6
Closing Tax "Loopholes":						
Tax International & Other Calls (use tax) ²⁾	4.9	2.5	0.0	0.0	0.0	7.4
Interstate Trucks, Cut Sales/Use Exemption ²⁾	3.7	1.8	0.0	0.0	0.0	5.5
Tax Prisoner Purchases ²⁾	0.1	0.1	0.0	0.0	0.0	0.2
Tax Insurance Co. Out-of-State Purchases (use tax) ²⁾ ..	0.8	0.4	0.0	0.0	0.0	1.2
Repeal Oil & Gas Income Tax Exemption ⁴⁾	0.0	0.0	0.0	0.0	0.0	0.0
Tax Vended Foods (sales tax) ²⁾	2.3	6.5	0.0	0.0	0.0	8.8
Tax Water Softeners (property tax) ¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
Tax Affiliates w/Nexus in MI (use tax) ²⁾	0.8	0.4	0.0	0.0	0.0	1.2
Increase Penalties on Delinquent Taxes ²⁾	1.7	0.0	0.0	0.0	0.0	1.7
Subtotal Tax "Loophole" Closings	14.2	11.7	0.0	0.0	0.0	26.0
Subtotal Tax Increases	\$320.7	\$191.1	\$0.0	\$18.1	\$(0.2)	\$529.8
Tax Decreases:						
Sales Tax Exemption on Trade-In Value ⁵⁾	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Change Due To Tax Policy Changes	\$320.7	\$191.1	\$0.0	\$18.1	\$(0.2)	\$529.7

* Change in revenue from the consensus revenue estimates adopted January 18, 2007.
1) Effective date January 1, 2008. 2) Effective date June 1, 2007. 3) Effective for deaths occurring on or after April 1, 2007. 4) 2007 tax year, but the first impact would be in FY 2007-08 when FY 2007 tax returns are filed. 5) Effective date October 1, 2008.

Table 7

**Recommended FY 2006-07 Supplemental Appropriations Details
(Actual Dollars)**

Department/Item	Gross Appropriation	GF/GP Appropriation
Community Health		
Medicaid Long-Term Care Savings	(\$46,000,000)	(\$20,065,200)
Mental Health/Substance Abuse	5,521,400	2,077,100
Unrealized Federal Pharmaceutical Rebate Savings	42,501,100	25,727,900
Unrealized Health Information Technology Savings	4,650,000	2,028,300
Unrealized Family Planning Waiver Savings	243,400	6,653,000
Unrealized Hospital Quality Assurance Assessment Program Savings...	(79,024,400)	2,500,000
Additional Unrealized Medicaid Savings	(565,000)	1,168,400
Direct Care Worker Wage Increase	7,300,000	3,806,700
Anti-Viral Pandemic Influenza Drugs	15,670,000	15,670,000
Health Information Technology	7,250,000	0
Medicaid Benefits Trust Fund	12,500,000	0
Tobacco Settlement Revenue Shortfall	0	69,600,000
Crime Victims Rights Fund – Offset GF reductions to DHS programs	1,300,000	0
Hospital QAAP Modification	0	0
Community Health Subtotal	(\$28,653,500)	\$109,166,200
Corrections		
Prisoner Health Care	15,600,000	15,600,000
Inmate Housing Fund	23,600,000	23,600,000
Corrections Subtotal	\$39,200,000	\$39,200,000
Higher Education		
One-time Payment Reduction	(69,368,000)	(69,368,000)
Higher Education Subtotal	(\$69,368,000)	(\$69,368,000)
Human Services		
Day Care Case Review Pilot - Executive Operations Staff	355,700	246,900
Funding Shift - Replace TANF Revenue with IDG from DCH (Crime Victims Right's Fund \$1.3 million)	0	0
Foster Care Payments - Offset EO reduction with Federal Revenue	1,226,200	0
SSI Advocates - Funding Shift (\$213,500 from State Restricted to Federal)	0	0
Day Care Case Review Pilot - Central Support	156,900	114,600
AFC, Children's Welfare and Day Care Licensure - Licensing Fee Increase	123,400	0
Family Independence Program	65,679,500	65,679,500
State Disability Assistance Payments - Restricted Funds to Offset EO Reduction	213,500	0
Human Services Subtotal	\$67,755,200	\$66,041,000
Judiciary		
Adjustments to Reflect Retirement Savings	(954,300)	(887,600)
Administrative Savings	(375,000)	(375,000)
Judiciary Subtotal	(\$1,329,300)	(\$1,262,600)

Recommended FY 2006-07 Supplemental Appropriations Details (Actual Dollars)		
Department/Item	Gross Appropriation	GF/GP Appropriation
Labor and Economic Growth		
Welfare-to-Work Program	10,000,000	0
Fire Protection Grants.....	1,000,000	0
Labor and Economic Growth Subtotal	\$11,000,000	\$0
Legislature		
Adjustments to Reflect Retirement Savings	(2,303,000)	(2,144,800)
Legislature Subtotal	(\$2,303,000)	(\$2,144,800)
Management and Budget		
Budget and Financial Management - Offset EO reductions with available Federal revenue.....	61,700	0
Management and Budget Subtotal	\$61,700	\$0
Military and Veterans Affairs		
Offset EO Reduction to Jacobetti Veterans' Home	134,500	0
Military Affairs Subtotal	\$134,500	\$0
Treasury		
Tax Restructuring Initiative	10,000,000	10,000,000
Treasury Subtotal	\$10,000,000	\$10,000,000
Total FY 2006-07 Supplemental Appropriation Bill	\$26,497,600	\$151,631,800

Table 8

Recommended FY 2006-07 School Aid Supplemental Appropriations Details (Actual Dollars)		
School Aid Budget Item	Gross Appropriation	School Aid Fund Appropriation
<u>Fund Shift</u>		
School Aid Fund to PSERS Reserve Account	\$ 0	\$(185,000,000)
<u>Negative Adjustments</u>		
Foundation Allowance - fewer pupils	(21,250,000)	(21,250,000)
Special Education - decreased estimated costs	(20,000,000)	(20,000,000)
Children of Incarcerated Parents - eliminate grant	(1,875,000)	(1,875,000)
Web-Based Testing - eliminate grant	(1,000,000)	(1,000,000)
Book-a-Month - eliminate grant	(500,000)	(500,000)
Early Intervening - eliminate grant	(400,000)	(400,000)
School Building Security Mapping - eliminate grant	(350,000)	(350,000)
Positive Behavioral Support - eliminate grant	(300,000)	(300,000)
International Baccalaureate Grants - eliminate grant	(250,000)	(250,000)
Automated External Defibrillators - eliminate grant	(100,000)	(100,000)
Kalamazoo Pre-College Engineering - eliminate grant	(100,000)	(100,000)
Mercy Education Project - eliminate grant	(100,000)	(100,000)
<u>Positive Adjustments</u>		
Payments in Lieu of Taxes - additional cost	1,000,000	1,000,000
Total Supplemental Appropriation Bill	\$(45,225,000)	\$(230,225,000)

Table 9

Summary of Executive Order 2007-1

Department/Budget Area	FY 2006-07 GF/GP Year-to-Date	GF/GP Program Reductions	GF/GP Fund Shifts/ Other	GF/GP Retirement Reductions	Federal and Restricted Revenue Reductions	EO 2007-1 Total Reductions
Agriculture	\$30,913,300	(\$1,265,000)		(736,300)		(\$2,001,300)
Attorney General	32,896,000	(1,001,600)		(807,400)		(1,809,000)
Civil Rights	12,454,000	(25,700)		(263,300)		(289,000)
Civil Service	6,972,400	(175,300)		(208,900)		(384,200)
Community Colleges	289,879,400	0		(10,900,000)		(10,900,000)
Community Health	2,940,082,700	(2,183,700)	(19,750,000)	(6,225,800)		(28,159,500)
Corrections	1,858,555,000	(2,505,800)		(49,804,000)		(52,309,800)
Education	6,592,500	(178,300)		(101,900)		(280,200)
Environmental Quality	33,828,400	(1,600,700)		(809,500)		(2,410,200)
Executive	5,509,900	0		(43,000)		(43,000)
Higher Education	1,624,791,300	(2,655,700)		0	(6,000,000)	(8,655,700)
History, Arts, and Libraries	43,175,200	(229,300)		(512,700)		(742,000)
Human Services	1,197,447,900	(22,219,300)	(2,819,200)	(9,279,900)	(8,495,600)	(42,814,000)
Judiciary	160,604,800	0		0		0
Labor and Economic Growth	47,436,700	0	(1,000,000)	(329,200)	(10,660,000)	(11,989,200)
Legislative Auditor General	13,006,100	0		0		0
Legislature	115,066,600	0		0		0
Management & Budget	268,409,600	(190,800)	(15,731,700)	(603,100)		(16,525,600)
Military & Veterans Affairs	40,640,200	(335,600)	(134,500)	(703,600)		(1,173,700)
Natural Resources	25,269,600	(1,400)		(343,300)		(344,700)
School Aid	35,000,000	0		0		0
State	19,132,700	(2,400)		(449,900)		(452,300)
State Police	249,298,700	(9,200)		(6,761,900)		(6,771,100)
Transportation	0	0		0	(6,000,000)	(6,000,000)
Treasury (Debt Service)	76,243,700	0		0		0
Treasury (Operations)	56,509,700	(455,400)		(532,600)	(50,000)	(1,038,000)
Treasury (Revenue Sharing)	1,104,400	(892,400)		0		(892,400)
Treasury (Strategic Fund)	32,009,200	(1,725,500)		(424,600)		(2,150,100)
TOTAL	\$9,222,830,000	(\$37,653,100)	(\$39,435,400)	(\$89,840,900)	(\$31,205,600)	(\$198,135,000)
TOTAL GF/GP REDUCTION = (\$166,929,400)						

APPENDIX A:

FY 2006-07

SUPPLEMENTAL

FY 2006-07 SUPPLEMENTAL

COMMUNITY COLLEGES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Pension Contribution Rate Credit. The Governor's supplemental recommendation includes language authorizing the Director of the Department of Management and Budget to direct the retirement system to issue credits to community colleges for the year ending September 30, 2007, not to exceed an aggregate of \$10,900,000.00. This adjustment is contingent upon the Governor's proposed changes regarding valuation of the assets of the Michigan Public School Employees Retirement System. It would offset the executive order reduction to community colleges contained in Executive Order 2007-1.	N/A	N/A	N/A
TOTAL CHANGE:			\$ 0

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF COMMUNITY HEALTH

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Medicaid Long-Term Care Savings. Caseload and utilization factors have created a savings in the Medicaid Long-Term Care line.	\$1,594,415,800	\$11,395,000	(\$20,065,200)
2. Mental Health/Substance Abuse. Caseload for mental health and substance abuse services has grown beyond anticipated levels, making additional appropriation necessary.	N/A	N/A	2,077,100
3. Federal Pharmaceutical Rebates. The FY 2006-07 Department of Community Health (DCH) appropriation assumed savings associated with passage of legislation permitting Medicaid HMOs to receive rebates for covered pharmaceutical products. This legislation has not yet been passed. The supplemental still assumes half year savings from this policy change.	2,484,260,000	496,065,100	25,727,900
4. Health Information Technology Savings. The FY 2006-07 appropriation included assumed savings associated with greater utilization of information technology. Delays in implementation have made an adjustment in anticipated savings necessary.	2,484,260,000	496,065,100	2,028,300
5. Family Planning Waiver. Delays in implementation of the Medicaid Family Planning Waiver will make additional funding necessary.	N/A	N/A	6,653,000
6. Hospital Quality Assurance Assessment Program (QAAP). A delay in garnering Federal approval for modifications to the hospital QAAP makes additional GF/GP support for Medicaid necessary.	1,124,379,500	190,140,800	2,500,000
7. Additional Unrealized Medicaid Savings. Several Medicaid policy changes did not received Federal approval in time for the State to collect full year savings. Changes in cost sharing requirements, modifications in distribution of Graduate Medical Education (GME) payments and a cut in the guardianship fee would not bring full year savings.	N/A	N/A	1,168,400
8. Direct Care Worker Wage Increase. The FY 2006-07 DCH appropriation provided funds to increase wages to Community Mental Health (CMH) direct care workers by 2%. A similar increase is to be provided to non-Medicaid workers. Additional appropriation is necessary to fully fund this increase.	1,797,294,900	649,629,000	3,806,700

9. Anti-Viral Pandemic Flu Vaccine. The State is required by Federal law to provide matching funds for the purchase of antiviral drugs for use in a pandemic flu outbreak.	N/A	N/A	15,670,000
10. Health Information Technology. Funds from the Health Professional Regulatory Fund are used to supplant GF/GP support for health information technology. GF/GP savings from this fund shift are recognized in Executive Order 2007-1.	9,500,000	7,250,000	0
11. Medicaid Benefits Trust Fund. Additional Medicaid Benefits Trust Fund revenue is used to support the Medicaid program. GF/GP savings associated with this fund shift are recognized in the Executive Order 2007-1.	N/A	N/A	0
12. Tobacco Settlement. Lower than anticipated tobacco settlement revenue makes a GF/GP allocation to support the Medicaid program necessary.	N/A	N/A	69,600,000
13. Crime Victims Fund. The supplemental makes revenue from the Crime Victims Fund available to the Department of Human Services via an inter-departmental grant.	10,800,000	0	0
14. Hospital QAAP Modification. Loss of Medicaid special financing makes a \$4.0 million increase in Hospital QAAP gainsharing necessary.	1,124,379,500	190,140,800	0
TOTAL CHANGE:			\$109,166,200

FY 2006-07 SUPPLEMENTAL
DEPARTMENT OF CORRECTIONS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Health Care. Additional funding for hospital and specialty care services, and the prison clinics is needed due to the higher than anticipated prison population, increased hospital visits, and increased demand for pharmaceuticals.	\$186,619,000	\$186,287,600	\$15,600,000
2. Additional Beds. This funding would increase the Inmate Housing Fund's appropriation to provide for additional prison and camp beds throughout the system to accommodate the higher than anticipated population.	588,200	588,200	23,600,000
TOTAL CHANGE:			\$39,200,000

FY 2006-07 SUPPLEMENTAL

HIGHER EDUCATION

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Payment Delay. A delay of half of the \$138.7 million August 2007 State payment for university operations, the Agricultural Experiment Station, and the Cooperative Extension Service is part of the Governor's proposal to balance the FY 2006-07 State budget. This \$69.4 million payment delay, which equates to a 4.5% reduction for each line-item, would reduce State GF/GP obligations in FY 2006-07. The Governor proposes to restore the \$69.4 million in the FY 2007-08 budget through a one-time payment paid out on October 16, 2007. Boilerplate language in the FY 2007-08 Governor's Higher Education recommendation requires each institution (except for Wayne State) to accrue this payment to its institutional fiscal year ending June 30, 2007.	\$1,526,097,400	\$1,516,597,400	(\$69,368,000)
TOTAL CHANGE:			(\$69,368,000)

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF HUMAN SERVICES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Fund Shifts. The supplemental request provided the use of \$123,400 in increased licensing fees for Office of Children and Adult Licensing operations to replace State funds, \$213,500 in Federal Title XIX (Medicaid) funds for SSI Advocates legal services to replace a shortage in SSI recovered payments, and a \$1.3 million IDG from DCH Crime Victim's Rights Funds to replace a Federal TANF funds shortage in Rape Prevention Services.	NA	NA	\$0
2. Day Care Review Pilot. The department plans to implement a program in 12 counties to address program fraud and possible lower day care costs. The supplemental includes the cost of \$450,900 Gross, \$317,600 GF/GP for temporary employees in Salaries and Wages, CSS&M, Travel and Payroll Taxes and Fringe Benefits.	NA	NA	317,600
3. Foster Care Payments. The supplemental provides one-time Federal Social Security Act, Title IV-B funds, subpart 2 of \$580,000 and Child Abuse and Neglect grant funds of \$646,200 to replace GF/GP.	131,699,300	55,676,300	0
4. Family Independence Program. The supplemental provides additional funds of \$65,679,500 Gross, GF/GP to support approximately 13,665 unanticipated additional cases in the program caseload.	354,710,100	213,398,500	65,679,500
5. Budget Analyst. The salaries and wages, payroll taxes and fringe benefits' cost of \$61,700 Gross, \$43,900 GF/GP for one FTE, is included to support a State Budget Office Human Services analyst for on-going program review and analysis.	NA	NA	43,900
TOTAL CHANGE:			\$66,041,000

FY 2006-07 SUPPLEMENTAL

JUDICIARY

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Retirement Savings. Savings would be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities would reduce the department's required contribution payments. Total savings across funds for Judiciary would be \$954,300.	\$9,560,400	\$8,962,700	(\$887,600)
2. Supreme Court Administration. A branchwide GF/GP reduction was applied proportionally against judiciary line items that contain GF/GP funds, excluding justices' and judges' compensation.	11,361,800	10,848,700	(66,400)
3. Judicial Institute. Branchwide GF/GP reduction.	2,756,500	2,188,800	(13,300)
4. State Court Administrative Office. Branchwide GF/GP reduction.	10,562,100	5,970,400	(36,500)
5. Judicial Information Systems. Branchwide GF/GP reduction.	3,291,100	2,591,100	(15,900)
6. Foster Care Review Board. Branchwide GF/GP reduction.	1,277,800	737,400	(4,600)
7. Drug Treatment Courts. Branchwide GF/GP reduction.	4,729,000	708,500	(4,300)
8. Court of Appeals. Branchwide GF/GP reduction.	19,615,700	17,579,400	(107,400)
9. Judicial Tenure Commission. Branchwide GF/GP reduction.	1,023,500	1,023,500	(5,200)
10. Appellate Public Defender Program. Branchwide GF/GP reduction.	4,903,500	4,413,400	(22,500)
11. Appellate Assigned Counsel Administration. Branchwide GF/GP reduction.	894,200	777,700	(4,000)
12. State Court Equity Fund Reimbursements. Branchwide GF/GP reduction.	69,075,900	18,635,900	(94,900)
TOTAL CHANGE:			(\$1,262,600)

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Welfare-to-Work Programs. The Governor is proposing a fund shift between two Federal fund sources to maintain this program at the enacted level. This supplemental would appropriate \$10,000,000 of Federal Workforce Investment Act (WIA) funds to replace an equivalent Federal Temporary Assistance for Needy Families (TANF) reduction proposed in Executive Order 2007-1. A reduction in the TANF appropriation is necessary to bring expenditures into alignment with available revenues.	\$113,798,600	\$18,499,600	\$0
2. Fire Protection Grants. The Governor is proposing a fund shift in this program to maintain these grants at the enacted level. The \$1,000,000 appropriation from the Fire Protection Fund in this supplemental would replace an equivalent GF/GP reduction proposed in Executive Order 2007-1. The Fire Protection Fund is supported by revenue from the Driver Responsibility Fees, which according to the January Consensus Revenue Estimating Conference, are estimated to be \$101,000,000 in this fiscal year. Pursuant to the statute, the Fire Protection Fund receives up to \$3,500,000 after the first \$65,000,000 of revenue from these fees and up to \$5,000,000 if revenues exceed \$100,000,000. Fire Protection Grants are awarded to local units of government with state owned buildings, in lieu of property taxes to support fire services.	10,910,500	3,700,000	0
TOTAL CHANGE:			\$ 0

FY 2006-07 SUPPLEMENTAL

LEGISLATURE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Retirement Savings. Savings would be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities would reduce the department's required contribution payments.	\$22,105,700	\$20,928,000	(\$2,144,800)
TOTAL CHANGE:			(\$2,144,800)

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF MANAGEMENT & BUDGET

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Budget and Financial Management. This line item supports the State Budget Office, the Office of Financial Management, and the Local Government Claims Review Board, including 113.5 FTE positions. The increase in this supplemental is actually a funding shift between GF/GP and Interdepartmental Grants (IDG). This shift in funding would allow the State to capture additional Federal funds and thus reduce GF/GP spending in this line item. This supplemental increases IDG funding from the Department of Human Services by \$61,700 while the corresponding reduction in GF/GP for the line item is contained in Executive Order 2007-1.	\$10,319,300	\$7,786,800	\$0
TOTAL CHANGE:			\$ 0

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. D.J. Jacobetti Veterans Home. This supplemental increases income and assessments revenue by \$134,500 for the purpose of offsetting a corresponding GF/GP reduction taken in Executive Order 2007-1.	\$15,215,600	\$5,381,300	\$0
TOTAL CHANGE:			\$ 0

FY 2006-07 SUPPLEMENTAL

SCHOOL AID

Program	Year-To-Date Gross Appropriation	FY 2006-07 Reserve Acct. Change	Year-to-Date SAF Change
1. Fund Shift. The Governor is proposing to revalue assets in the Michigan Public School Employees' Retirement System (MPERS). This change would generate \$185.0 million in revenues deposited into a reserve account. The supplemental reduces School Aid Fund revenues by \$185.0 million and appropriates the \$185.0 million from the MPERS reserve account.	\$0	\$185,000,000	(\$185,000,000)
2. Eliminating 10 "On-Hold" Categoricals. Ten categoricals new in FY 2006-07 were placed "on hold" by the Department of Education due to falling revenues. The supplemental eliminates the funding for the following: <ul style="list-style-type: none"> Children of Incarcerated Parents - \$1,875,000 Web-Based Testing - \$1,000,000 Book-a-Month - \$500,000 Early Intervening -\$400,000 School Building Security Mapping - \$350,000 Positive Behavioral Support - \$300,000 International Baccalaureate - \$250,000 Automated External Defibrillators - \$100,000 Kalamazoo Pre-College Engineering - \$100,000 Mercy Education Project - \$100,000 	4,975,000	0	(4,975,000)
3. Appropriations Adjustments Due to Newer Data. Based on revised pupil counts and estimates for special education costs, savings of \$66.1 million are included in the supplemental, affecting foundation allowance and special education payments. Partially offsetting these savings are costs due to resolving to the Dow Chemical taxable value case (\$24.8 million) and additional payments in lieu of taxes obligations (\$1.0 million). The adjustments discussed in this item are already reflected in balance sheets estimating a \$377.4 million SAF deficit for FY 2006-07.	10,717,450,000	0	(40,250,000)
TOTAL CHANGE:			(\$230,225,000)

FY 2006-07 SUPPLEMENTAL

DEPARTMENT OF TREASURY - OPERATIONS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 GF/GP Change
1. Tax Restructuring Initiative. This appropriation would fund the implementation of a replacement for the single business tax. Approximately \$8.7 million would be used to hire an estimated 20.0 FTEs and to contract with a vendor for the necessary computer system; the remaining \$1.3 million would be used for hardware and software costs.	\$0	\$0	\$10,000,000
TOTAL CHANGE:			\$10,000,000

APPENDIX B:

FY 2006-07

EXECUTIVE ORDER 2007-1

EXECUTIVE ORDER 2007 – 1

DEPARTMENT OF AGRICULTURE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the department's required contribution payments.	\$10,705,300	\$5,416,900	(\$736,300)
2. Information Technology Services and Projects. This reduction represents the Department of Agriculture's share of an administrative reduction in the Department of Information Technology.	1,537,800	287,900	(1,200)
3. Aquaculture and Cervid Culture Program. Funding for the last half of the fiscal year and 3.0 FTE positions are eliminated.	250,000	250,000	(125,000)
4. Agriculture Statistics. Funding for the last half of the year is reduced and 3.0 FTE positions are eliminated.	376,000	376,000	(130,700)
5. Intercounty Drain Program. Funding for the last half of the fiscal year and 5.0 FTE positions are eliminated. This program provides support to county drain commissions.	469,300	469,300	(234,700)
6. Local Conservation District Grants. Funding for the last half of the fiscal year is eliminated. This program provides grants of \$19,200 to 79 local conservation districts.	1,516,800	1,516,800	(758,400)
7. MSU Northwest Horticultural Research Station Grant. Funding for the last half of the fiscal year is eliminated. FY 2007 is the second year for this grant which provides funding for research and education on red tart cherries and sweet cherries.	30,000	30,000	(15,000)
TOTAL REDUCTION:			(\$2,001,300)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF ATTORNEY GENERAL

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$12,811,000	\$6,207,500	(\$807,400)
2. Information Technology Services and Projects. This reduction represents the Department of Attorney General's share of an administrative reduction in the Department of Information Technology.	739,700	739,700	(1,600)
3. Attorney General Operations. This line item funds general operation costs of the Department of Attorney General, including 519.0 FTE positions. The reductions (1.6% Gross and 3.4% GF/GP) will be achieved through administrative efficiencies.	62,154,000	29,464,800	(1,000,000)
TOTAL REDUCTION:			(\$1,809,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF CIVIL RIGHTS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$2,297,300	\$1,975,700	(\$263,300)
2. Information Technology Services and Projects. This reduction represents the Department of Civil Right's share of an administrative reduction in the Department of Information Technology.	780,500	780,500	(700)
3. Civil Rights Operations. This line item funds general operation costs of the Department of Civil Rights, including 136.0 FTE positions. The reductions (0.2% Gross and 0.2% GF/GP) will be achieved through administrative efficiencies.	12,967,100	11,400,900	(25,000)
TOTAL REDUCTION:			(\$289,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF CIVIL SERVICE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$4,421,900	\$1,255,800	(\$208,900)
2. Information Technology Services and Projects. This reduction represents the Department of Civil Service's share of an administrative reduction in the Department of Information Technology.	3,818,800	613,300	(1,000)
3. Civil Service Executive Direction. This line item funds administrative services in the Department of Civil Service, including 45.0 FTE positions. The reductions (2.0% Gross and 6.7% GF/GP) will be achieved through administrative efficiencies.	8,586,900	2,601,400	(174,300)
TOTAL REDUCTION:			(\$384,200)

EXECUTIVE ORDER 2007 - 1

COMMUNITY COLLEGES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Community College Operations. The Executive Order reduces operations funding for community colleges by 3.8%. The amount of each college's reduction would equal a credit to be issued by the Michigan Public School Employees' Retirement System based on the Governor's proposal to revalue the fair market value of the assets held by the MPSERS (thereby reducing pension contribution rates).	\$283,356,700	\$283,356,700	(\$10,900,000)
TOTAL REDUCTION:			(\$10,900,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF COMMUNITY HEALTH

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$86,599,700	\$45,515,500	(\$6,225,800)
2. Information Technology Services and Projects. This reduction represents the Department of Community Health's share of an administrative reduction in the Department of Information Technology.	31,427,000	9,073,700	(2,700)
3. Medicaid Hospital Outpatient Reimbursement Change. Additional savings are achieved through implementation of a policy change that will permit the State to avoid making Medicare cost sharing payments for outpatient hospital services for recipients dually enrolled in Medicare and Medicaid.	1,124,379,500	190,140,800	(2,181,000)
4. Health Information Technology. Current GF/GP support for health information technology efforts is replaced with revenue from the Health Professional Regulatory fund.	9,500,000	7,250,000	(7,250,000)
5. Medicaid Fund Source Change. GF/GP support for the Medicaid program is replaced with additional Medicaid Benefit Trust Fund revenues.	N/A	N/A	(12,500,000)
TOTAL REDUCTION:			(\$28,159,500)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF CORRECTIONS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$338,705,400	\$331,457,000	(\$49,804,000)
2. Information Technology Services and Projects. This reduction represents the Department of Corrections' share of an administrative reduction in the Department of Information Technology.	16,618,500	15,939,200	(5,800)
3. Training. This reduction would result in the cancellation of correctional officer training schools for the remainder of the fiscal year.	11,750,600	11,750,600	(2,500,000)
TOTAL REDUCTION:			(\$52,309,800)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF EDUCATION

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the systems' unfunded liabilities will reduce the Department's required contribution payments.	\$7,260,500	\$704,300	(\$101,900)
2. Information Technology Services and Projects. This reduction represents the Department of Education's share of an administrative reduction in the Department of Information Technology.	2,614,700	777,000	(3,300)
3. Best Practices Study. Elimination of funding for a best educational practices study.	175,000	175,000	(175,000)
TOTAL REDUCTION:			(\$280,200)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF ENVIRONMENTAL QUALITY

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$29,600,000	\$5,645,200	(\$809,500)
2. Information Technology Services and Projects. This reduction represents the Department of Environmental Quality's share of an administrative reduction in the Department of Information Technology.	6,810,400	531,500	(700)
3. Drinking Water Revolving Loan Fund Reduction. The Executive Order will reduce the General Fund provided for the State match to Federal funding. The match requirement is 80/20, thus the reduction will result in the loss of Federal funding of approximately \$6.4 million. The Department still expects to be able to meet water supplier's requests for loans in FY 2006-07 and FY 2007-08.	97,179,900	5,779,900	(1,600,000)
TOTAL REDUCTION:			(\$2,410,200)

EXECUTIVE ORDER 2007 - 1

EXECUTIVE OFFICE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the office's required contribution payments.	\$855,500	\$855,500	(\$43,000)
TOTAL REDUCTION:			(\$43,000)

EXECUTIVE ORDER 2007 - 1

HIGHER EDUCATION

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Cooperative Extension Service. Michigan State University's Cooperative Extension Service (CES) attempts to identify and solve farm, home, and community problems through the practical application of Federal and State research findings. Each of Michigan's 83 counties is served by a CES agent, and the CES receives Federal, State, county, and private funding. Of the approximately \$77.0 million in total CES revenue, about 37.0% is appropriated by the State in the Higher Education budget. The CES operates the Expanded Food and Nutrition Program (EFNEP), serves as a resource for youth 4-H programs, provides information on family financial planning, and funds portions of nearly 200 faculty positions at Michigan State University.	\$29,176,400	\$29,176,400	(\$2,655,700)
2. Michigan Merit Award Program. The State Budget Office estimates that approximately \$6.0 million will not be spent from the \$127.7 million appropriated for this program from the Michigan Merit Award Trust Fund. This \$6.0 million reduction could be used to offset revenue shortfalls in other programs funded from the Merit Award Trust Fund.	127,700,000	0	(6,000,000)
TOTAL REDUCTION:			(\$8,655,700)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$3,800,300	\$3,308,900	(\$512,700)
2. Information Technology Services and Projects. This reduction represents the Department of History, Arts and Libraries share of an administrative reduction in the Department of Information Technology.	953,100	906,200	(7,400)
3. Management Services. Savings will be achieved by holding vacancies, reduced travel, and contracts. This line supports the central administrative staff for the Department.	2,090,600	2,090,600	(18,900)
4. Michigan Council for Arts and Cultural Affairs Administration. Savings will be achieved by reducing staffing, travel and contracts. Reductions will result in the elimination of 2.0 FTE's. There are currently 7.0 filled FTE's. The Governor's proposal for FY 2007-08 reduces the FTE's in this line to 3.0, after transferring 2.0 FTE's into the Department Operations line to staff the Cultural and Economic Development Office and eliminating the above mentioned positions.	726,600	726,600	(62,500)
5. Library of Michigan Operations. This reduction will be achieved by reducing collection purchases.	6,543,800	6,543,800	(126,500)
6. Mackinac Island Historical Facilities System. Savings will be achieved by limiting seasonal hires, deferring maintenance, and reducing janitorial services. This line supports the costs of maintenance and upkeep of the historical buildings and monuments on the island, in the city and in the Old Mill Creek State Park.	1,928,600	207,400	(14,000)
TOTAL REDUCTION:			(\$742,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF HUMAN SERVICES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$173,435,800	\$60,159,600	(\$9,279,900)
2. Information Technology Services and Projects. This reduction represents the Department of Human Service's share of an administrative reduction in the Department of Information Technology.	84,803,600	30,984,700	(2,800)
3. Family Independence Program. The savings to this line are achieved by implementation of several policy changes; delay in case opening through screening prior to opening case, quicker case closure for non compliance saving payments equal to one pay period, and reductions based on stronger use of sanctions.	354,710,100	213,398,500	(6,576,000)
4. Indigent Burial. The savings are achieved by a reduction in the burial rates.	5,909,300	5,478,400	(738,700)
5. Day Care Services. The service provider is currently allowed 100 hours per child per pay period for reimbursement. The E.O. reduction assumes the allowable hours' reduction to 90 hours per child per pay period for an \$11.8 million savings. In addition, a savings of \$1,014,300 is obtained through the use of a new Day Care Case Review Pilot Program that would reduce the number of eligible cases.	462,381,200	162,389,900	(12,814,300)
6. Legal Support Contracts. The elimination of State funds used for child support enforcement legal services achieved these savings.	140,753,600	2,000,000	(2,000,000)
7. Foster Care Payments. The savings are achieved by the use of the Federal Child Abuse and Neglect \$642,600 and Title IV-B \$580,000 in grant funds to replace State funds.	131,699,300	55,676,300	(1,226,200)

8. Contractual Services, Supplies and Materials. The savings is achieved through elimination of \$245,000 in one-time Local Office funds for audio video equipment and the elimination of lease expenditures for vacant space for \$24,300 in savings.	17,945,900	6,015,700	(269,300)
9. Demonstration Projects. The savings is achieved by administrative reductions in budget authority not related to services or specific grants.	7,062,500	741,300	(175,000)
10. Pilot Projects. The reduced contract funding for projects that are not operated State-wide include: Teenage Parent Counseling \$1,732,400 Gross, \$25,500 GF/GP; Black Child and Family Institute \$50,000 Gross, GF/GP; and Day Care Before and After School Programs available in 14 counties \$2.5 million Gross, \$0 GF/GP.	8,915,800	118,500	(4,307,900)
11. Medical Consultation Program. The savings is achieved by a reduction in the appropriation to equal the anticipated spending level. No reduction in services is anticipated.	2,942,600	2,063,300	(241,800)
12. Legislative Initiatives. The program eliminations include:			(3,170,200)

<u>Program</u>	<u>Y-T-D Appropriation</u>		<u>E.O. Reduction</u>	
	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>
a) Barry County DV Services	\$75,000	\$75,000	(\$75,000)	(\$75,000)
b) Michigan 2-1-1	100,000	100,000	(100,000)	(100,000)
c) Boys and Girls Clubs	250,000	250,000	(125,000)	(125,000)
d) Food for the Elderly MiCAFE	70,000	70,000	(35,000)	(35,000)
e) Crisis Prevention and Senior Food Aid				
Lansing and Washtenaw County	150,000	100,000	(125,000)	(75,000)
Muskegon and Kent counties	50,000	50,000	(50,000)	(50,000)
f) Youth In Transition				
A 3% rate increase for runaway and homeless youth contracts	122,000	122,000	(122,000)	(122,000)
g) MSU Kinship Care Center	200,000	0	(125,000)	0
h) Pontiac School-based Centers	78,500	0	(24,200)	0
i) Family Preservation and Prevention Services				
Child Safety and Permanency Planning	16,286,700	0	(1,200,000)	0
Child Protection /Community Partners	5,539,400	0	(220,000)	0
Strong Families/Safe Children	13,395,300	0	(580,000)	0
j) Day Care R.E.A.D.Y. Kits	(250,000)		(250,000)	0
k) Grand Rapids Youth Commonwealth Program	126,500	0	(126,500)	0
l) Michigan After-School Partnership	200,000	0	(125,000)	0
TOTAL			(\$3,170,200)	(\$582,000)

13. Office of Children and Adult Licensing. The saving is achieved through a shift to increased licensing fees from State Funds.	22,477,400	9,901,200	(123,400)
14. SSI Advocates. The reduction in this line allows access to Federal Title XIX funds authority to replace the State funds in the State Disability Assistance line.	853,900	0	(213,500)
15. Community Services Block Grant. The reduction of TANF funds in the following; \$1,175,000 for Community Action Agencies (Sec. 303(1)) and \$500,000 for Community Services Block Grant EITC Outreach (Sec. 303(2)).	27,068,000	0	(1,675,000)
TOTAL REDUCTION:			(\$42,814,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$73,880,100	\$1,906,100	(\$329,200)
2. Welfare-to-Work Programs. The Governor is proposing a fund shift between two Federal sources of funding to maintain this program at the enacted level. This E.O. would reduce the Federal Temporary Assistance for Needy Families (TANF) funding. A \$10.0 million appropriation of Federal Workforce Investment Act (WIA) funding is included in the proposed supplemental. This reduction is necessary to bring TANF expenditures into alignment with available revenues.	113,798,600	18,499,600	(10,000,000)
3. Fire Protection Grants. The Governor is proposing a fund shift in this program in order to maintain these grants at the enacted level. This reduction in the GF/GP portion of these grants would be replaced in the FY 2006-07 supplemental with a \$1.0 million appropriation from the Fire Protection Fund. The Fire Protection Fund is supported by revenue from the Driver Responsibility Fees, which according to the January Consensus Revenue Estimating Conference, are estimated to be \$101.0 million in this fiscal year. Pursuant to the statute, the Fire Protection Fund receives up to \$3.5 million after the first \$65.0 million of revenue from these fees and up to \$5.0 million if revenues exceed \$100.0 million. Fire Protection Grants are awarded to local units of government with state owned buildings, in lieu of property taxes to support fire services.	10,910,500	3,700,000	(1,000,000)
4. Occupational Regulation. This reduction is being taken from a one-time \$3,092,300 increase provided in FY 2006-07 for a new corporation database project. This reduction leaves \$2,432,300. The Governor's FY 2007-08 proposal recommends delaying this project to realize the remainder of these savings. This project is funded with Corporation Fees, which if not expended lapse to the General Fund at the close of the fiscal year.	20,069,200	0	(660,000)
TOTAL REDUCTION:			(\$11,989,200)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF MANAGEMENT AND BUDGET

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$14,375,800	\$4,717,300	(\$603,100)
2. Information Technology Services and Projects. This reduction represents the Department of Management and Budget's share of an administrative reduction in the Department of Information Technology, as well as a reduction of \$75,000 in the Michigan Administrative Information Network (MAIN) through management of vacant positions.	28,344,800	14,488,700	(75,800)
3. Executive Operations. This line item funds 21.0 FTE positions whose functions include strategic planning, program and policy direction, communications, and internal audit. The reductions are 0.7% Gross and 1.8% GF/GP.	2,444,900	960,100	(17,500)
4. Administrative Services. This line item funds financial services, organizational services, and national association dues, including 61.5 FTE positions. The reductions are 0.4% Gross and 2.2% GF/GP.	6,337,300	1,126,600	(25,000)
5. Business Support Services. This line item supports acquisition services, real estate, ID mail services, and the State Building Authority, including 88.5 FTE positions. The reductions are 0.9% Gross and 1.7% GF/GP.	7,898,300	4,203,700	(72,500)
6. Budget and Financial Management. This line item supports the State Budget Office, the Office of Financial Management, and the Local Government Claims Review Board, including 113.5 FTE positions. This reduction in GF/GP funding is actually a funding shift as it will be replaced by the identical amount with interdepartmental grants in a supplemental appropriation.	10,319,300	7,786,800	(61,700)
7. State Building Authority (SBA) Rent – Department of Corrections. This line item pays "rent" to the SBA so that the SBA can pay the debt service on building projects financed by the State on behalf of the Department of Corrections. There are no FTE positions associated with this line item. Savings are achieved as a result of the refinancing of the initial bonds.	61,645,500	61,645,500	(8,794,900)

8. State Building Authority Rent – Universities. This line item pays "rent" to the SBA so that the SBA can pay the debt service for the State's portion of building projects for State universities. There are no FTE positions associated with this line item. Savings are achieved as a result of the refinancing of the initial bonds.	106,518,500	106,518,500	(6,875,100)
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TOTAL REDUCTION:			(\$16,525,600)
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EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$15,221,400	\$5,033,300	(\$703,600)
2. Information Technology Services and Projects. This reduction represents the Department of Military and Veterans Affairs' share of an administrative reduction in the Department of Information Technology.	1,161,700	396,900	(600)
3. Grand Rapids Veterans Home. Reduction in CSS&M, overtime and other costs.	47,479,300	16,619,700	(185,000)
4. D.J. Jacobetti Veterans Home. GF/GP reduction in operations (to be offset by restricted revenue proposed in FY 2007 supplemental).	15,490,600	5,381,300	(134,500)
5. Headquarters and Armories. Elimination of four funded mechanic position currently vacant.	10,178,900	7,111,000	(150,000)
TOTAL REDUCTION:			(\$1,173,700)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF NATURAL RESOURCES

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$33,175,400	\$2,322,300	(\$343,300)
2. Information Technology Services and Projects. This reduction represents the Department of Natural Resources' share of an administrative reduction in the Department of Information Technology.	9,002,900	1,049,600	(1,400)
TOTAL REDUCTION:			(\$344,700)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF STATE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$27,130,400	\$2,614,300	(\$449,900)
2. Information Technology Services and Projects. This reduction represents the Department of State's share of an administrative reduction in the Department of Information Technology.	23,629,300	3,086,100	(2,400)
TOTAL REDUCTION:			(\$452,300)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF STATE POLICE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Police Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$81,002,500	\$50,626,600	(\$6,761,900)
2. Information Technology Services and Projects. This reduction represents the Department of State Police's share of an administrative reduction in the Department of Information Technology.	21,035,700	16,241,500	(9,200)
TOTAL REDUCTION:			(\$6,771,100)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF TRANSPORTATION

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$57,008,700	\$0	\$0
2. Redirection of Transportation Economic Development Fund Amounts. Funds appropriated for Category A (Targeted Industries) expenditures are redirected to the General Fund. These industries include agriculture or food processing, tourism, forestry, high technology research, manufacturing, mining, and large office centers.	18,863,400	0	(6,000,000)
TOTAL REDUCTION:			(\$6,000,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF TREASURY - OPERATIONS

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Department's required contribution payments.	\$32,752,100	\$4,089,800	(\$532,600)
2. Information Technology Services and Projects. This reduction represents the Department of Treasury's share of an administrative reduction in the Department of Information Technology.	16,726,000	4,488,900	(5,400)
3. Revenue enhancement program. The program had carry-forward funds available from FY 2005-06.	5,856,800	5,856,800	(350,000)
4. Mail operations. This reduction represents administrative savings.	2,077,900	2,077,900	(50,000)
5. Collections. This reduction represents administrative savings.	16,833,500	748,700	(50,000)
6. Michigan merit award administration. This reduction represents administrative savings.	1,544,200	0	(50,000)
TOTAL REDUCTION:			(\$1,038,000)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF TREASURY - REVENUE SHARING

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Special census revenue sharing payments. These payments are distributed in July of each year to localities that have performed special censuses and demonstrate a significant increase in population. As of February 2007, eleven communities would have received payments. Communities have until June 30 to complete censuses, so more communities could potentially be affected. The Executive Order would remove all of the funding for these payments.	\$892,400	\$892,400	(\$892,400)
TOTAL REDUCTION:			(\$892,400)

EXECUTIVE ORDER 2007 - 1

DEPARTMENT OF TREASURY - STRATEGIC FUND

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2006-07 Reduction Amount
1. Retirement Savings. Savings will be achieved by reducing FY 2006-07 defined benefit contributions to the State Employees' Retirement System. Re-valuation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities will reduce the Agency's required contribution payments.	\$3,526,600	\$2,958,400	(\$424,600)
2. Administration. Savings will be achieved through hiring freeze. This is a 0.5% reduction. Funding in this line supports the central administrative staff for the Agency.	2,451,000	2,451,000	(12,500)
3. Job Creation Services. Savings will be achieved through hiring freeze. Reduction equal to 0.8% of the General Fund appropriation. Funding in this line supports the classified program staff and other economic development functions.	17,496,000	14,203,800	(112,500)
4. Economic Development Job Training Grants. Reduce the amount available for grants by 16.3%. Grants would be reduced to \$8,197,500. These grants are awarded to the community colleges and other eligible training providers in partnership with businesses to provide training for new or existing employees as a tool to maintain and attracting businesses to the State.	9,798,000	9,798,000	(1,600,500)
TOTAL REDUCTION:			(\$2,150,100)